

**Moving Forward:
Recovering the Public's Trust
in Missouri's Transportation Leadership**

A Report of the
**Blue Ribbon Panel
on Accountability, Credibility, and Efficiency**
Appointed by the
Missouri Highways and Transportation Commission

November 4, 2003
Jefferson City, Missouri

Blue Ribbon Panel On Accountability, Credibility, and Efficiency

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Executive Summary

As Missouri begins Fiscal Year 2004 it is facing a nearly unprecedented crisis of historic proportions. The state will endure its third consecutive year of severe budgetary constraints, and many observers believe that the outlook for the next year or two will be more of the same. It is also very clear that highways and transportation in Missouri are in crisis. Missouri has the 7th largest state highway system in the United States and the largest number of major bridges in the nation. Meanwhile, Missouri ranks 43rd among the states in the amount of revenue per mile it receives. The consequences of this disparity between system size and resource availability are that Missouri has the third-worst road conditions among the states and the second-highest percentage of bridges 20 feet or longer that are structurally deficient, according to at least one national organization – TRIP. At a time when Missouri's economy needs a boost, the state's transportation system appears to be a drag on economic development, and the public has diminished confidence in government in general and the state's transportation leadership in particular.

In this very unsettled context the Missouri Highways and Transportation Commission has appointed twelve independent laypersons from across the state to serve on this Blue Ribbon Panel on Accountability, Credibility, and Efficiency. The Commission believes that "a group of citizens, independent of the Commission, MoDOT, and affiliated state agencies, could more effectively review the operations and decision-making processes of MoDOT and the Commission ... to help MoDOT and the Commission meet future challenges and opportunities ..." In our view the Commission has exercised great leadership in opening itself and the department to this review. Its members should be commended for their courage and their commitment to the citizens of Missouri.

Our findings begin with the fact that the state of Missouri and MoDOT are blessed with many dedicated Department of Transportation employees who are proud of their service and who are eager to move the agency forward. Developing and maintaining a modern highway system is a complex task that requires the expertise of many individuals, and Missouri is fortunate to have many such employees at MoDOT. Yet, many of these employees have worked under extraordinarily difficult circumstances and a constant stream of criticism for several years. Significantly, MoDOT has not stood still in the face of its problems; rather, real progress has been made. For example, construction estimates and on-time, on-budget contract performance have been very good in recent years. It is no surprise that employee morale has eroded somewhat under these trying circumstances, but these employees remain MoDOT's greatest asset and the citizens of Missouri owe them a debt of gratitude.

The panel believes that notwithstanding the progress that has already been made, significant change is clearly necessary – both to address substantive shortcomings in the organization and as a means to assure the public and elected officials that their concerns have been addressed. Reinventing MoDOT will, however, be only the first step toward a nationally competitive transportation system that will support our economic aspirations.

Success will ultimately require significant additional resources over a sustained period of time. Without additional resources there is little hope of significant progress on critical state priorities for expanding and improving the system. The acquisition of these resources will also require that elected officials and key rural/urban interest groups must come together and compromise their differences. The resolution of Missouri's transportation crisis will require leadership of the highest order from everyone who has a role to play. The times demand it; the citizens of Missouri deserve nothing less.

The Blue Ribbon Panel, therefore, offers this report and the recommendations outlined below not as a blueprint for a particular solution, but as the catalyst for a statewide conversation on the future of transportation in Missouri. We will have been successful if our study brings together a coalition for change that places the welfare of the state as a whole above regional interests and builds on the foundation of past successes to create a better future for all of our citizens.

ACCOUNTABILITY

Recommendation #1: The Commission must be more visible and more assertive in providing leadership to MoDOT and the state as a whole on transportation issues, in accepting accountability for the resolution of the current credibility crisis, and in building coalitions among political leaders and interest groups to resolve the state's transportation problems. Although the independent commission form of governance for transportation has served Missouri well for many years, continuation of the present situation is likely to result in sufficient frustration that either citizen or legislative initiatives to significantly modify or abolish the Commission could emerge unless current problems are resolved.

Recommendation #2: The Commission should substantively change the culture of MoDOT by reorganizing top management; by seeking managers who have the vision to develop a strategic perspective for improving Missouri's transportation system; by redirecting staff efforts to the implementation of the Commission's strategic vision; by streamlining the MoDOT bureaucracy and pushing as many decisions as possible down to the district level; and by clarifying the role and relationships of the central office and the district offices to ensure that a statewide transportation improvement strategy exists and that it is implemented appropriately at the district level. The objective of this reorganization should be to provide the public and elected officials with clear evidence that "a new day has dawned at MoDOT" and that the organization in both appearance and reality is capable of producing a robust transportation system that is responsive to the state's needs.

Recommendation #3: Although it is important that MoDOT retain a strong internal audit function, it is recommended that the Commission support the concept of an independent Office of Inspector General to provide assurance to the public and elected officials that accountability and credibility are top priorities of the agency.

While the new legislation to establish an OIG function as part of the Joint Committee on Transportation Oversight should be given an opportunity to succeed, it is further recommended that the Commission work with the General Assembly and the Governor to explore the possibility of locating the OIG function in either the Auditor's Office or the Attorney General's Office which have the resources and professional investigative culture to support such a role.

CREDIBILITY

Recommendation #4: Although the 1992 Plan was flawed from its inception, the Commission should acknowledge publicly that the 1998 decision to suspend the 1992 plan was a breach of the public's trust that will not occur again. In addition, consistent with contemporary statewide needs and funding availability, unfinished 1992 projects should be one component of and that the projects outlined in the 1992 plan are a part of the Commission's vision of the future for transportation in Missouri. To paraphrase one of the consultants to the Blue Ribbon Panel, the Commission should make unequivocally clear that while it cannot change history, it is dedicated to affecting the future in very positive ways.

Recommendation #5: The Commission and MoDOT should as soon as possible develop and adopt a new practical, strategic, intermodal transportation plan (known officially as a "Long-range Transportation Plan") for Missouri that reflects the state's current priorities and future needs for a vibrant, responsive transportation system, particularly in terms of safety, mobility, tourism, and economic development.

Recommendation #6: In active cooperation with the Governor and the General Assembly, it is recommended that the Commission should develop a plan to address the problem of diversion of highway user fees from their intended purpose – highway construction and maintenance:

- a. in the short term, seek Constitutional and statutory authority to determine a fair value for the administrative services performed by other state agencies for MoDOT and prohibit additional charges to the State Highways and Transportation Fund as compensation to any state agency, including Constitutionally mandated ones, for the services they render in support of MoDOT or the traveling public; and*
- b. in the longer term, work closely with the Governor and the General Assembly to ensure that all highway user funds are expended only for highway construction while providing a reliable funding stream for the Highway Patrol.*

Recommendation #7: As soon as practical the Commission should develop an allocation method for highway construction funds that is driven by strategic,

statewide needs and priorities as well as actual road and bridge conditions and safety requirements, that minimizes a mechanical distribution of funds by district, and that considers all sources of funds – state, unrestricted federal, and suballocated federal dollars.

***Recommendation #8:** It is recommended that the Commission should develop on an expedited basis an integrated, coordinated statewide communications plan that ensures Headquarters and district public information staff are working together to educate the public and MoDOT staff themselves about the activities of the agency to provide the taxpayers with high-quality services. This plan must go beyond in-house newsletters and public relations press releases; the goal should be to establish a MoDOT “brand” based on hard facts and real achievement – not hype – that connotes quality performance, good stewardship of resources, and responsiveness to the public.*

***Recommendation #9:** Based on the assumption that credibility begins at home, it is recommended that as a first step toward restoring staff morale and confidence in agency leadership, the Commission should release to the staff as soon as possible the findings contained in its long-delayed job study and, subject to concurrence from the Governor’s Office and legislative leaders, implement on a phased basis the salary equity adjustments identified in the study.*

EFFICIENCY

***Recommendation #10:** It is recommended that the Commission periodically solicit the advice and expertise of outside consultants to help ensure that MoDOT’s policies and practices reflect “best practices” in the industry.*

***Recommendation #11:** It is recommended that the Commission pursue legislative and Constitutional changes as well as policy changes that would be enhance its overall efficiency, its credibility, or provide new funding options for transportation development, e.g.,*

- ❖ *permit the collection of tolls on new Missouri bridges and roads as well as substantially reconstructed interstate highways;*
- ❖ *use general revenue funds and/or tourism funds to support and enhance rest areas on interstate highways and other major roads;*
- ❖ *ensure a proper accounting of all MoDOT-owned properties, including the designation and disposal of any surplus property that may no longer be needed;*
- ❖ *without compromising Missouri’s commitment to the environment, work with state and federal officials to reduce the delays and cost of the various impact statements presently required for transportation construction projects; and*
- ❖ *limit the liability exposure of agency employees in work-related civil suits.*

Recommendation #12: *It is recommended that the Commission proceed with caution as it explores possibilities for closing maintenance sheds, retiring rest stops, or returning certain lettered routes to local authorities to avoid creating another round of accusations that MoDOT is once again breaking its promises to the public. In addition, similar caution should be used in taking over additional mileage from local entities. Any future actions of these types should be based on a clearly articulated plan for highway maintenance that balances the needs of the traveling public with the perceived financial benefits.*

Preface

As Missouri begins Fiscal Year 2004 it is facing a nearly unprecedented crisis of historic proportions. The state will endure its third consecutive year of severe budgetary constraints, and many observers believe that the outlook for the next year or two will be more of the same. Missouri has also been leading the nation in job losses for the last several years. Complicating this volatile mix is a dissatisfied public which polls say mistrusts the government and which has expressed its displeasure by defeating three statewide tax initiatives. In the past public policy makers have often sought to stimulate the economy through a jobs program based on capital improvements to transportation and public facilities, but broad-based public mistrust of government and the Missouri Department of Transportation (MoDOT) which contributed to the overwhelming defeat of Proposition B in 2002 has eliminated this option for the present.

Notwithstanding the voter's rejection of Proposition B, it is very clear that highways and transportation in Missouri are in crisis. Missouri has the 7th largest state highway system in the United States and the largest number of major bridges in the nation. Meanwhile, Missouri ranks 43rd among the states in the amount of revenue per mile it receives. The consequences of this disparity between system size and resource availability are revealed through the data of the Washington-based, nonprofit interest group TRIP (The Road Information Program) which show that Missouri has the third-worst road conditions among the states with 6 of 10 major roads requiring immediate repair or reconstruction while our state has the second-highest percentage (26 percent) of bridges 20 feet or longer that are structurally deficient. At a time when Missouri's economy needs a boost, the state's transportation system appears to be a drag on economic development, and the public has diminished confidence in government in general and the state's transportation leadership in particular.

It is in this very unsettled context that the Missouri Highways and Transportation Commission has appointed twelve independent laypersons from across the state to serve on this Blue Ribbon Panel on Accountability, Credibility, and Efficiency. The Commission believes that "a group of citizens, independent of the Commission, MoDOT, and affiliated state agencies, could more effectively review the operations and decision-making processes of MoDOT and the Commission ... to help MoDOT and the Commission meet future challenges and opportunities ..." Although the Panel members were each well aware of the public's general concerns regarding MoDOT and the Commission, we had not anticipated the difficulty of the task that lay before us in terms of understanding either the issues or the complexity of Missouri's transportation policy environment. In order to gather information and perspectives from as wide and diverse an audience as possible, the Panel has undertaken the following tasks and activities since its appointment in January:

- ❖ Held eleven formal, public meetings across the state including Jefferson City, St. Louis, Kansas City, and Springfield at which much time was

spent in dialogue with MoDOT staff gaining information and receiving staff presentations;

- ❖ Held four forums with randomly selected rank-and-file MoDOT employees from all ten districts without the presence of management staff to hear first-hand their concerns and issues;
- ❖ Conducted a meeting in Jefferson City with all ten of the District Engineers outside the presence of MoDOT executive staff to understand their perspective on the issues of MoDOT's accountability and credibility;
- ❖ Held three public forums in St. Louis, Kansas City, and Springfield to receive input from individual citizens; in addition, two less formal regional meetings were held in St. Joseph and Kirksville for the same purpose;
- ❖ Met formally with three nationally-known transportation experts who had state-level DOT experience in Kansas, Illinois, and Utah; in addition, one of these experts had led the Federal Highway Administration for several years and two had served as the head of the DOT national professional organization, the American Association of State Highway and Transportation Officers;
- ❖ A subcommittee of the Panel interviewed privately selected legislators as well as the Lieutenant Governor and representatives of the Governor's Office, Missouri Farm Bureau, and Missouri Chamber of Commerce; and
- ❖ Reviewed correspondence from numerous private citizens and MoDOT staff who contacted the Panel directly.

As the Panel met with these various individuals and groups outside the inner circle of MoDOT, we basically asked each one the same two questions:

- ❖ What are the most important actions by MoDOT and the Transportation Commission that have contributed significantly to the perceptions of lack of accountability and credibility held by segments of the public and the state's leadership? and
- ❖ What specific actions should be taken to address the Commission's and MoDOT's perceived loss of credibility and lack of accountability?

While there was a broad consensus among these many sources regarding the need for change, there was wide divergence regarding the scope of the problem, the key issues, and the desired solutions. Many of these opinions and suggestions were diametrically opposed, and the Panel believes that progress can only be made if the various competing interests are willing to compromise. One of MoDOT's District Engineers perhaps said it best during our joint meeting, "The success of transportation in Missouri not only depends on us [MoDOT], it depends on the Commission, the legislature, the Governor, and others Part of it [the solution] is deciding where we as a state are going with transportation and whether or not we're going to work together to help transportation or

[whether] we're going to fight over what we got." The Panel also agrees with those who advocate significant change because small measures are not likely to counteract the public's strongly held views that the status quo is unacceptable. A leading legislative leader noted that a key challenge is to decide, "What is it going to take to shock the public into believing it is a new day at MoDOT?" In addition, several leaders and spokesmen thought that the public must be directly involved in the solution through the ballot process, *ie*, approval of Constitutional or statutory initiatives designed to implement reform, in order for them to take ownership of the solution. We tend to agree with this assessment.

The Blue Ribbon Panel, therefore, offers this report and its recommendations not as a blueprint for a particular solution, but as the catalyst for a statewide conversation on the future of transportation in Missouri. We will have been successful if our study brings together a coalition for change that places the welfare of the state as a whole above regional interests and builds on the foundation of past successes to create a better future for all of our citizens. The Commission must play a key leadership role if this objective is to be attained.

Acknowledgements

The Blue Ribbon Panel would like to express its thanks to the Missouri Highways and Transportation Commission for the opportunity to have served in this capacity, and we sincerely hope that this report will be helpful to the Commission as it discharges its very difficult and important responsibilities. We would also like to express our admiration for the Commission's leadership in taking this courageous step. To invite a comprehensive study of its role and the effectiveness of the Department of Transportation speaks volumes about the Commissioners' dedication to the public good and their concern for the welfare of all Missourians.

The Panel would also like to acknowledge with great appreciation the support and dedication of the MoDOT executive staff under the supportive assistance of Director Henry Hungerbeeler. These men and women have been working under great pressure in difficult circumstances for several years, and the work of this Panel has only added to their burden of responsibility. Yet, they have worked hard to respond to our many requests for information, and their professionalism has not faltered. The Panel would especially like to thank the Commission's secretary, Ms. Mari Ann Winters, who has been extremely helpful to our work and who has done much to contribute to the successful completion of this study. The Panel is also very grateful for the assistance of Dr. Michael A. McManis, University Dean for Planning and Executive Assistant to the President at Truman State University, who was with us every step of the way and provided invaluable assistance.

Finally, the Blue Ribbon Panel wants to express its gratitude to the rank-and-file MoDOT employees we have met for their willingness to contribute to this report. It is clear from our many conversations and written communications with them that MoDOT is blessed with dedicated employees who are proud of their public service to the citizens of Missouri. Many of these men and women are hurt and frustrated by the continual stream of criticism that is directed at MoDOT, but they continue to support their agency in hope that a better day will soon dawn. Everyone who drives or rides across our highways or receives goods and services delivered over our highways benefits from their service. We all owe them a debt of gratitude.

Accountability: What is it? Do we have enough? Who's responsible for what?

By law MoDOT is required to submit annually an extensive accountability report to the Joint Committee on Transportation Oversight which includes updates on finances, projects, and priorities. In its FY 2002 report MoDOT provides a definition of what accountability means to the department.

“... accountability is about much more than a report. It is honoring commitments. It is responsible and effective use of taxpayers' dollars. It is doing things right and meeting the transportation needs of Missouri.”

In the judgment of MoDOT's leadership, the department is the most accountable agency in Missouri state government. Examples of external oversight include the General Assembly and the Joint Committee on Transportation, the State Auditor, an independent external auditor (currently, KPMG), the U.S. Department of Transportation, and the U.S. Army Corps of Engineers – to name a few.

MoDOT is also able to point to several achievements over recent years which signal significant improvements in the management of the agency. For example, the department's ability to estimate and deliver projects on budget and on time has become a strength; MoDOT even received national recognition for its estimating success. In FY 2002 the department let the largest dollar amount of contracts in its history and the bids came in at 2 percent less than estimated. Furthermore, the construction plan used by MoDOT for highway improvements has generally followed the 1992 plan even though this roadmap was officially abandoned in 1998: 92 percent of all projects let and 97 percent of all funds expended have been derived from the original plan.

MoDOT has also demonstrated its openness to innovative financing through its partnership with the City of Kirksville and Koch Industries for the four-laning of Highway 63 between Macon and Kirksville. The department received, in addition, an “unqualified opinion” from its external auditor – meaning there were no problems with the audit, while national comparative data from the Federal Highways Administration indicate that Missouri has one of the nation's lowest percentages of General Administration expenditures among the states (5th lowest in FY 2001). The Commission and the department have also tried to reduce the level of rural-urban tension over the distribution of resources by developing a distribution formula that uses objective data that are presumed to relate to need. In the view of both MoDOT's executive staff and rank-and-file employees, the agency has been overwhelmingly responsive to the public's needs and concerns and has tried to do the right things; the continuing criticism is something of a mystery to them.

The Blue Ribbon Panel understands the frustration of MoDOT's leadership and staff, but we believe that the continuing dissatisfaction in the face of clear management gains by the department is driven at least in part by three factors.

- ❖ *The inability of outsiders to believe that they have substantive input and impact on the Commission's and MoDOT's actions and priorities:* by statutory and regulatory requirements as well as Commission policy MoDOT provides numerous mechanisms for public input; however the holding of hearings and the preparation of reports can keep the public and interested parties informed, but they are not a substitute for full participation or true oversight; in a sense the current accountability structure is rather like attempting to inspect quality and responsiveness into the product after the fact – an approach that Edward Demming told us a generation ago was sure to fail; while differences of opinion are inevitable, many political leaders and members of the public adamantly believe they have little impact on MoDOT and Commission decisions; historically, the independence of the Commission and MoDOT has served Missouri well, but in troubled times such independence can create isolation internally and frustration externally; this cycle must be broken if Missouri is to move forward.
- ❖ *The failure of current leadership at the Commission and MoDOT to develop and articulate a vision for Missouri's transportation system that goes beyond management goals and has the capacity to energize support:* transportation has a critical role to play in Missouri's future, but the Commission and MoDOT have been too focused on putting out fires and developing management goals to respond effectively to this larger need; current managers are aware of this shortcoming, but the development of such a plan remains a future objective.
- ❖ *The strong perception that MoDOT is a large, cumbersome bureaucracy that is slow to act, that often responds defensively, that lacks an effective customer orientation, and that is both insensitive and reactive to political dynamics both in government and among interest groups:* since MoDOT is literally a business that expends \$1.0-\$2.0 billion annually, has more than 6,000 employees, and has a presence in every county, rules and procedures are important; however, there is a growing concern that too many decisions are pushed to Headquarters where they get stalled while district offices appear to lack clear coordinated direction in sensitive areas like public relations; one key political spokesman expressed the opinion that MoDOT was "the most uncontrolled bureaucracy in the state in which Headquarters blames the local offices while they blame Headquarters"; the need for a more effective division of responsibility and leadership between

Headquarters and the districts as well as a clear commitment to a more customer friendly focus was a theme heard often by the Panel.

At first glance the leadership at the Commission and MoDOT may be puzzled about the Panel's concern regarding the isolation of the Commission and staff as an accountability issue because federal law and common MoDOT practice mandates extensive public consultation regarding projects. The procedures manual is replete with an alphabet soup of consultative partners that include TMAs (Transportation Management Areas), MPOs (Metropolitan Planning Organizations), and RPCs (Regional Planning Councils) and with whom MoDOT has differing relationships depending on population and regulations. Many observers believe that the new reauthorization act for transportation currently pending in Congress will strengthen these consultative requirements. Yet, in Missouri the Commission retains final authority over the construction of highway projects, and the accountability issue is at bottom a question over how transportation governance should be structured.

Federal statutes and regulations do not stipulate a particular structure; rather, they only require that a state have an entity authorized to receive federal funds and the authority to ensure they are spent for their intended purposes. Among the 50 states only 8 (including Missouri) have an independent commission that appoints its own director, while another 23 have a commission with a director appointed by the governor. The remaining 19 states do not have a commission. The authority of commissions and their revenue sources vary from state to state, but as a general rule those commissions who appoint their own directors have much more authority than those who do not. In some cases commissions with appointed heads are advisory in many matters. Based upon a survey conducted by MoDOT's Chief Counsel, Missouri's commission seems to be the most independent and powerful in the nation. That is, our commission is the only one with these critical characteristics: constitutional status; final authority for both the state highway funding distribution formula and the selection of state highway projects; and at least some constitutionally dedicated funding for highway purposes.

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Several ideas are circulating regarding possible changes in the size and appointment of the Commission, including expanding its size and mandating that appointments correspond with either Congressional districts (9) or MoDOT maintenance districts (10), as well as the appointment of a director/secretary who would report to the Governor. Many of these efforts are in reaction to the perceived isolation of the Commission and executive staff from the concerns of the public, legislators, and interest groups as well as concerns that in recent years some Commission members have advanced local interests over statewide interests. The Panel is, however, persuaded that Missouri has been well-served by the present structure of the Commission and believes that appointments by district will only foster increased parochialism.

The Panel notes that, in its opinion, the recently passed legislation that would stagger the terms of Commission members and ensure a balance of continuity and turnover is appropriate and is a good step forward. However, the Panel does not think that it is in Missouri's best interests to fundamentally weaken the Commission's authority to determine resource distributions, project designations, or the appointment of a director. The Panel believes, nevertheless, that time and opportunity are running out on the current governance system to resolve its dysfunction and to make it work. The Commission must be more visible and more assertive in providing leadership to Missouri on transportation issues and in accepting accountability for resolving the current credibility crisis. Otherwise, increasing frustration is likely to lead to citizen or legislative initiatives to significantly modify or abolish the Commission.

Given the importance of transportation to the state and its citizens as well as the huge investment that must be made to meet the state's needs, the designation of an independent Inspector General for Transportation seems to be an appropriate innovation. The current arrangement for an internal MoDOT Inspector General's Office lacks credibility to most observers. Nevertheless, MoDOT needs and should retain a robust internal audit staff to maintain effective control of the funds entrusted to it and to ensure that contractors and vendors are meeting their obligations. The recently approved IG position attached to the Joint Committee on Transportation Oversight may meet this need and should be given a chance to succeed. The Panel notes, however, that given the complexity of the MoDOT legal and financial environment, the Inspector General function might be more appropriately attached to the State Auditor's Office or the Attorney General's Office which have the resources and professional culture to support such a demanding role.

Much of the evidence gathered by the Blue Ribbon Panel has led us to the conclusion that a significant cultural shift needs to occur in MoDOT, especially at headquarters. Indeed, one of the key legislators affecting transportation policy vigorously advocates this position, but he is certainly not alone. Notwithstanding a number of important managerial gains in recent years, MoDOT's overall standing in the state has not improved, and Missouri is further than ever from a resolution of its transportation issues. MoDOT's current internal strategic plan is simply:

- ❖ Take care of what we have;
- ❖ Finish what we've started; and
- ❖ Build public trust.

While these are fine general principles, they hardly constitute a strategic plan that addresses Missouri's strategic interests in a transportation system that fosters economic development, provides a high level of safety for the traveling public, and supports an improved quality of life for all Missourians. The Panel also notes that top management once consisted of a Chief Engineer and a variety of functional and administrative subordinates but now consists of a Director, a Chief Operating Officer, a Chief Financial Officer, and a Public Information Officer plus a Chief Engineer. While the total number of top administrators has not increased as much as these title changes suggest, the culture of MoDOT has become more bureaucratic and is a source of concern for both the rank-and-file staff as well as external audiences. Finally, the relationship between the central office and the district offices needs to be clarified and streamlined to ensure that the district offices are empowered to make timely decisions affecting daily operations and to implement consistently broad state policies and priorities. At the same time the central office needs to ensure that to the extent permitted by federal rules mandating local collaboration, it has the data and the ability to define state priorities and to implement these policies. It is essential that the state-level office has a strengthened capability to discern statewide needs rather than a patch work of 10 sets of district needs. In order to achieve these objectives, the Commission should consider the following initiatives:

- ❖ Reorganize its top management structure, seek managers who have the vision to develop a strategic perspective for improving Missouri's transportation system, and redirect staff efforts to the implementation of the Commission's strategic vision;
- ❖ Streamline the bureaucracy and push as many tactical decisions as possible down to the district level; and
- ❖ Clarify the role and relationships of the central office and the district offices to ensure that a statewide improvement strategy exists and that it is implemented appropriately at the district level.

The challenge that lies before the Commission and MoDOT executive staff is to foster a true cultural change in the organization and to provide clear evidence that "a new day has dawned" at MoDOT.

In summary, then, the Blue Ribbon Panel makes the following formal recommendations intended to enhance the accountability of the Commission and MoDOT.

Recommendation #1: The Commission must be more visible and more assertive in providing leadership to MoDOT and the state as a whole on transportation issues, in accepting accountability for the resolution of the current credibility crisis, and in building coalitions among political leaders and interest groups to resolve the state's transportation problems. Although the independent commission form of governance for transportation has served Missouri well for many years, continuation of the present situation is likely to result in sufficient frustration that either citizen or legislative initiatives to significantly modify or abolish the Commission could emerge unless current problems are resolved.

Recommendation #2: The Commission should substantively change the culture of MoDOT by reorganizing top management; by seeking managers who have the vision to develop a strategic perspective for improving Missouri's transportation system; by redirecting staff efforts to the implementation of the Commission's strategic vision; by streamlining the MoDOT bureaucracy and pushing as many decisions as possible down to the district level; and by clarifying the role and relationships of the central office and the district offices to ensure that a statewide transportation improvement strategy exists and that it is implemented appropriately at the district level. The objective of this reorganization should be to provide the public and elected officials with clear evidence that "a new day has dawned at MoDOT" and that the organization in both appearance and reality is capable of producing a robust transportation system that is responsive to the state's needs.

Recommendation #3: Although it is important that MoDOT retain a strong internal audit function, it is recommended that the Commission support the concept of an independent Office of Inspector General to provide assurance to the public and elected officials that accountability and credibility are top priorities of the agency.

While the new legislation to establish an OIG function as part of the Joint Committee on Transportation Oversight should be given an opportunity to succeed, it is further recommended that the Commission work with the General Assembly and the Governor to explore the possibility of locating the OIG function in either the Auditor's Office or the Attorney General's Office which have the resources and professional investigative culture to support such a role.

Credibility: Overcoming Past Mistakes and Getting Back on Track

Most successful people from the executive suite to the neighborhood handyman know – and understand – the old adage, “Under promise and over deliver.” Customers and bosses both are delighted when their expectations are exceeded. With each additional success one’s reputation is enhanced and opportunities for new tasks expand. Not too long ago, MoDOT was widely respected, and the taxpayers and their elected representatives entrusted the agency with more than a 140 percent increase in the gas tax (from 7 cents in 1987 to an authorized level of 17 cents in 1992) in just a five-year period! Unfortunately, the 1992 plan was flawed by over-commitments at its inception. When the 1992 plan faltered and the Commission publicly suspended the plan in 1998 – or “abandoned” the plan in the opinion of much of the public, MoDOT was caught in a cascade of criticism and doubt that haunts it today and that is rooted in the perceived violation of the “Under promise and over deliver” adage. Loyal MoDOT employees are discouraged by the continual criticism while the state seems frozen in time, unable either to move forward or to restore the status quo, while its transportation needs continue to escalate.

As the Panel traveled around the state, there was a great tendency by many persons to want to rehash the events since 1992 and to assign blame. Yet, the Panel believes that little useful purpose is served by such exercises. The fact is that virtually all of the people at MoDOT, the Commission, and the General Assembly who had a significant role in the decisions of 1992 and 1998 are either gone from the scene or will be by the end of 2004 as appointive and elective terms expire. There is no one left to punish for our disappointments and for the broken promises even if that were a possibility. The original plan appears to have failed for a variety of reasons, including an initial excess of projects in comparison to available revenues; lack of an inflation factor; informal, rule-of-thumb estimates rather than project specific projections; changing, more expensive construction standards; and significant project creep – that is, major expansions in project scope. These factors collectively drove plan costs far beyond anticipated levels as well as the ability of the state to pay for the improvements with existing resources.

Some leaders see these issues as contributing factors with the real reason for the abandonment of the plan being a desire by key Commissioners to shift a portion of the allocation of resources to the metropolitan areas of the state. Certainly, much of the continuing rhetoric regarding the 1992 plan revolves around the issue of “trust” – *ie*, credibility – and the allocation of resources. The Panel believes that if resources were more plentiful, more projects could be completed in both rural and urban areas and the rhetoric would cool. Unfortunately, the defeat of Proposition B last year has eliminated the prospect of significant new funds for the near future. Complicating the challenge of getting the “trust” issue behind us and moving Missouri’s transportation system forward are the emerging requirements of very significant projects like rebuilding our interstates that were not anticipated in the 1992 plan.

In order to put these problems behind us, it is essential that key legislative leaders and interest group spokesmen as well as the Commission and MoDOT agree that compromise is essential and in the best long-term interests of the state. If the outside interests continue to hammer MoDOT, if politicians continue to campaign against MoDOT, and if MoDOT continues to dig in defensively, there will be little hope for long-term success. The recommendations outlined in the accountability section of this report will be significant steps in the right direction, but successfully addressing the "trust" issue will require some additional initiatives – some of which will be painful.

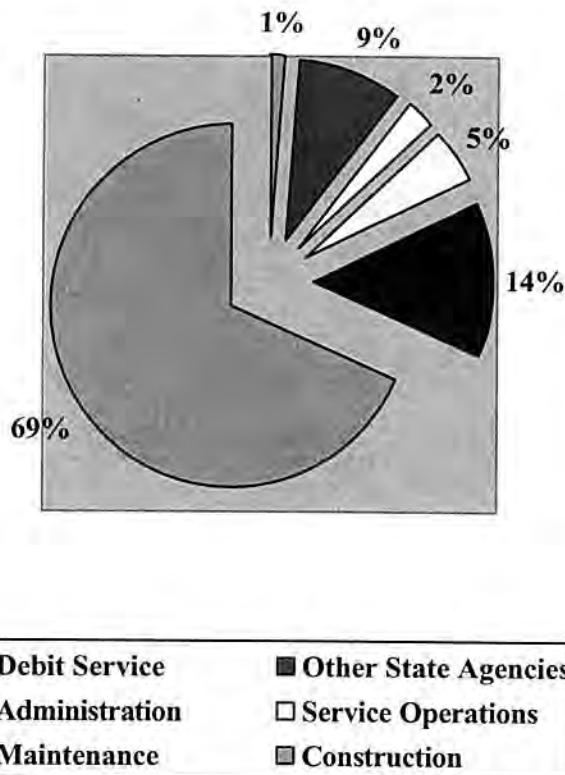
MoDOT and the Commission will note that as a practical matter the 1992 plan was not abandoned because 92 percent of the projects completed and 97 percent of the funds spent since 1992 were in the plan. Yet, the 1998 suspension action also included a shift of 10 percent in spending from rural projects to urban projects, so the effects have been significant. Many people believe that the 1998 action was an error; a better strategy might have been for the Commission to have taken more decisive action to curb project creep and to have announced that program completion would be extended significantly without additional revenues. The Blue Ribbon Panel tends to agree. Furthermore, it thinks that the first step toward healing the wounds that exist is for the Commission to acknowledge publicly that the 1998 decision was a breach of the public's trust that will not happen again.

The second step toward recovery should be for the Commission and MoDOT to develop a new, practical strategic transportation plan for Missouri that reflects our current priorities and future needs. Currently available resources are clearly inadequate to address many of the state's needs, but consistent with contemporary statewide needs and funding availability, unfinished 1992 projects should be one component of this new plan and the Commission's vision for the future. MoDOT's executive staff have acknowledged the need for such a plan, and it should be expedited. It is difficult to move forward when you are looking through the rearview mirror. A new plan that addresses the state's current needs and explicitly seeks to restore some of the public's confidence lost when the 1992 plan was suspended can serve as a rallying point for everyone. To paraphrase one of the Panel's consultants, the Commission cannot change history, but it can resolve to affect the future positively.

The major challenge to implementing this new plan will doubtlessly be its funding – which will lead to another set of difficult decisions. Most observers believe that it will be several years before the public can again be approached for new taxes to pay for a major road improvement initiative. The various reforms that have been adopted by the General Assembly or recommended in this report and by others need to be implemented and need to bear fruit in the form of increased public support before a tax initiative is likely to be successful. In order to get the process started the Commission needs to maximize the revenues it has available for road improvements. Many people are hopeful that the pending federal transportation reauthorization will produce additional funds for Missouri, but such an outcome is far from certain. A major factor in Missouri's highway funding picture is that in any given year 35-40 percent of the highway user fees collected in the state are not

available to MoDOT. (In FY 2002 the figure was 36.8 percent.) Rather, these funds are shared with cities and counties and are diverted to other state agencies that provide services to MoDOT (eg, the Department of Revenue) or support the transportation system (eg, the Highway Patrol).

MoDOT FY 2002 Disbursements



These diversions are perfectly legal and in several cases are mandated by Missouri's Constitution. Yet, they are controversial because it is not entirely clear that all of the funds are needed to support the intended functions. For example, the Department of Revenue receives funds from the State Highways and Transportation Department Fund to off-set its costs in collecting highway user fees. Yet, for FY 2004 these highway funds will equal \$46.5 million and will cover about 48 percent of the Department of Revenue's expenses for

personal services, expense and equipment, and postage. While there are numerous user fees that go into the State Highways and Transportation Fund, it is instructive to note that all gasoline taxes are collected at the wholesale level from fewer than 30 businesses. Current appropriations are based more on past practice than on an accurate accounting of the services rendered, and the Panel believes that there should be more justification provided for these appropriations from the State Highways and Transportation Fund and that only clearly justified costs as determined by an independent third party should be transferred from the Fund. The Panel believes that long-term all diversions should end. Of course, in the current budget situation this will be difficult to accomplish, but the problem must be addressed. The Panel is also concerned that the Highway Patrol emerge from the process with an assured revenue stream.

Historically, MoDOT and the Commission did not allocate highway funds based on percentages for certain regions of the state. Rather, assessments of needs drove the process. One of the subsequent results of the 1992 plan development was that after the fact, it was determined that approximately 60 percent of the funds would have been spent on rural projects if the plan had been completed as anticipated. As the Panel noted previously, one of the actions taken in 1998 when the plan was "abandoned" was to shift the distribution of funds to a 50-50 rural/urban split which was quite controversial, especially for rural interests.

After long debate and study the Commission has adopted a distribution formula that attempts to calculate need based on selected factors such as vehicle miles traveled, population, and employment. The new formula will produce an approximately 52-48 rural/urban split of revenues, but the controversy continues because almost any split could be produced depending on the indicators used or the weighting factors, if any, that are employed. As a consequence, the Blue Ribbon Panel applauds the Commission's effort to resolve this funding issue, but we also doubt that it will succeed. A better strategy might be to distribute funds on a basis more directly related to road and bridge conditions, safety requirements, and strategic state needs and priorities, particularly economic development. It is a matter of concern to the Panel that economic development considerations do not figure more prominently in MoDOT's thinking. This must change.

The efforts of MoDOT and the Commission to enhance their credibility are likely to continue to falter until a much better and more effective communication plan for both internal and external audiences is in place. MoDOT produces many attractive information pieces for its employees and the public, but the Panel has been unable to discern an integrated public information plan that would keep the public and employees well informed or counteract negative publicity. Many of us still remember the very effective "Progress as Promised" campaign associated with the 4 cent tax increase adopted in 1987, and we wonder why something similar has not been developed for current efforts. In addition, while each of the district offices has at least one public information person, the Panel has been advised that a coordinated, statewide information plan does not exist. Clearly, more could and should be done in this area. The Commission and Headquarters staff need to exercise stronger leadership in this area.

Finally, credibility begins at home, and the Commission seems to have a serious problem on its hands regarding the morale of its rank-and-file employees. The Panel was very impressed by the loyalty and apparent dedication of the staff that we met, but we were surprised to learn that many had not supported Proposition B. These folks should be MoDOT's frontline cheerleaders in their communities. If they are not, MoDOT is indeed in serious trouble.

It was also clear that many staff are frustrated by the continual criticism directed toward MoDOT and are eager to put these issues behind them. Many are also concerned about job security as more jobs are out-sourced and as employee numbers decline – especially in maintenance. Others are unhappy because materials are often unavailable for them to do their jobs the way they believe they should be done. Others are concerned opportunities for advancement are disappearing at the lower ranks while additional hires continue to occur among higher paid professional and technical staff. Although many of these concerns are the result of budget constraints and changes in the work environment as needs change and as technology's role in highway development increases, it is very clear that communication within the organization needs to improve. Middle managers and frontline supervisors reported frequently that they lacked the information they believed they needed to serve their staff well. As a result, staff confidence in more senior managers declined the further they were from them organizationally.

There is also great concern among the rank-and-file regarding the job study MoDOT undertook approximately three years ago. Notwithstanding the efforts of more senior managers to reassure the staff that the study was delayed for valid reasons and has not been fully implemented owing to budgetary constraints, skepticism remains high. Most people are convinced that Headquarters is hiding something. The Panel recommends that unless there are truly compelling reasons the study report should not be released, MoDOT should do so immediately. In addition, consideration should be given to implementing the salary adjustments for the 825 employees identified by the study who deserve these equity changes. The total cost of these changes is estimated to be only \$1,538,000. If these changes were implemented over two or three years, the budgetary impact would be manageable and could be funded out of the more than \$76 million MoDOT expects to save between FY 2002 and 2004 through downsizing and adoption of administrative efficiencies. The Panel is sensitive to the problem of some employees receiving salary adjustments at a time when most state employees have not received a raise in several years. However, these are proposed equity adjustments, and a conversation with legislative leaders and the Governor's Office regarding this need might produce good results since the cost would be self-funded. Addressing this issue would certainly go a long way in improving staff morale.

Based on the considerations outlined above, the Blue Ribbon Panel makes the following recommendations intended to improve the credibility of MoDOT and the Commission.

Recommendation #4: *Although the 1992 Plan was flawed from its inception, the Commission should acknowledge publicly that the 1998 decision to suspend the 1992 plan was a breach of the public's trust that will not occur again. In addition, consistent with contemporary statewide needs and funding availability, unfinished 1992 projects should be one component of and that the projects outlined in the 1992 plan are a part of the Commission's vision of the future for transportation in Missouri. To paraphrase one of the consultants to the Blue Ribbon Panel, the Commission should make unequivocally clear that while it cannot change history, it is dedicated to affecting the future in very positive ways.*

Recommendation #5: *The Commission and MoDOT should as soon as possible develop and adopt a new practical, strategic, intermodal transportation plan (known officially as a "Long-range Transportation Plan") for Missouri that reflects the state's current priorities and future needs for a vibrant, responsive transportation system, particularly in terms of safety, mobility, tourism, and economic development.*

Recommendation #6: *In active cooperation with the Governor and the General Assembly, it is recommended that the Commission should develop a plan to address the problem of diversion of highway user fees from their intended purpose – highway construction and maintenance:*

- a. in the short term, seek Constitutional and statutory authority to determine a fair value for the administrative services performed by other state agencies for MoDOT and prohibit additional charges to the State Highways and Transportation Fund as compensation to any state agency, including Constitutionally mandated ones, for the services they render in support of MoDOT or the traveling public; and*
- b. in the longer term, work closely with the Governor and the General Assembly to ensure that all highway user funds are expended only for highway construction while providing a reliable funding stream for the Highway Patrol.*

Recommendation #7: *As soon as practical the Commission should develop an allocation method for highway construction funds that is driven by strategic, statewide needs and priorities as well as actual road and bridge conditions and safety requirements, that minimizes a mechanical distribution of funds by district, and that considers all sources of funds – state, unrestricted federal, and suballocated federal dollars.*

Recommendation #8: *It is recommended that the Commission should develop on an expedited basis an integrated, coordinated statewide communications plan that ensures Headquarters and district public information staff are working together to educate the public and MoDOT staff themselves about the activities of the agency to*

provide the taxpayers with high-quality services. This plan must go beyond in-house newsletters and public relations press releases; the goal should be to establish a MoDOT “brand” based on hard facts and real achievement – not hype – that connotes quality performance, good stewardship of resources, and responsiveness to the public.

***Recommendation #9:** Based on the assumption that credibility begins at home, it is recommended that as a first step toward restoring staff morale and confidence in agency leadership, the Commission should release to the staff as soon as possible the findings contained in its long-delayed job study and, subject to concurrence from the Governor’s Office and legislative leaders, implement on a phased basis the salary equity adjustments identified in the study.*

Efficiency: Getting a Good Return on the Taxpayer's Dollar

Historically, public services in Missouri have not been funded at high levels, so agency supervisors have had to be good managers of the public's resources. Notwithstanding all the jokes that many of us grew up with regarding resourceful but lazy highway department workers or overstaffed work crews, there is no evidence available to the Panel that waste is a major, systemic problem at MoDOT. In an organization as large and diverse as MoDOT there will be incidences of poor judgment – *e.g.*, out-of-state air travel on private planes – or occasional examples of weak internal controls relating to such things as food use. However, on the whole MoDOT seems to be working hard to become as efficient as possible, and the agency anticipates that it will save \$76 million between 2002 and 2004 through staff reductions, better vehicle leasing management, and improved bidding procedures. Evidence of MoDOT's success – at least relative to other state DOTs – is the fact that the agency had the fifth lowest percentage of General Administrative costs in FY 2001. Nevertheless, this Panel does not have the expertise to delve deeply into the technicalities of MoDOT's operating procedures.

MoDOT as an agency has worked hard in recent years to emphasize quality and to improve its procedures with some notable successes. However, to ensure the continuation of these activities we are recommending that the Commission periodically retain the services of nationally known, well-qualified outside experts who can ensure that MoDOT's policies and practices reflect "best practices" in the industry. In addition, given the functional nature of MoDOT's activities, it seems the agency would be a "natural" for the adoption of a continuous quality improvement effort. The Panel understands that in the past MoDOT expended great amounts of time and resources on a quality improvement effort that was later abandoned. The Panel certainly does not want to recommend a return to a failed prior effort, but a more measured approach could have significant pay-offs.

When resources are tight, it is especially important for state agencies to be creative and flexible in developing the funding needed to meet the needs of our citizens. The Commission and MoDOT have already demonstrated their capacity to do this through the use of transportation corporations. Another tool that should be considered is the authorization to use tolls for selected new highways and new bridges. An initial study suggests that the opportunities are limited in Missouri, but they do exist and should be pursued. In addition, although the federal government makes it difficult to impose tolls on existing interstate highways, this option should be pursued – especially for I-70 reconstruction.

The Panel believes the Commission has made a justifiable choice in deciding not to issue additional new bonds for Missouri's road building program, although a significant amount of the bonding authority remains available. However, given the serious condition of Missouri's highway system, the Panel would like to encourage the Commission to resume

issuing the bonds as a means of recapturing the momentum for change and building public support as soon as a reliable funding stream can be identified.

The MoDOT staff has reported that it spends \$8.0 million per year to manage and pay employee tort claims. Tort reform could save the department significant sums of money. Specifically, Missouri's sovereign immunity cap of \$300,000 applies to the agency but not its employees who are sued from time to time in the course of discharging their duties. The extension of this cap to employees could save the agency hundreds of thousands, if not millions, of dollars.

Recent reports have questioned MoDOT's ability to account for all of its property and to justify the retention of "surplus" property that may no longer be needed. While there could be a number of possible explanations for this situation, the Panel urges the Commission to move aggressively to resolve this problem.

Cumbersome regulatory requirements – many of which originate at the federal level – regarding mandatory impact statements sometimes introduce long delays in much-needed projects and add to total project costs. The Panel supports efforts to work with state and federal officials to streamline the regulatory process governing highway construction.

During the Panel's focus group meetings with MoDOT staff, many rural maintenance workers commented on the decreasing number of maintenance employees in the field and the inefficiencies that often result. For example, in many rural areas as few as four people are assigned to a given shed which means that if anyone is absent or if the foreman is tied up with paperwork or other administrative duties, the employees are unable to perform many tasks because existing work rules and safety regulations require the presence of at least four people. MoDOT is, therefore, considering the possibility of consolidating selected shed facilities, but this is a very sensitive issue in these areas for the people who live in the vicinity. When a facility like this is lost to a community, the residents often feel that they have been abandoned by the state. The closing is frequently taken as another sign of regional decline, and people become defensive.

Somewhat similarly, MoDOT is interested in exploring the possibility of closing some interstate rest areas and of returning some "farm-to-market" roads to the appropriate local authorities because they serve exclusively local needs. Yet, this will be a very controversial development that will be viewed by many rural people as another broken promise by MoDOT. Although these ideas may have face-validity in a strict cost-accounting equation, the Panel is convinced that MoDOT should proceed cautiously and should not impose these closures and transfers without broad agreement on how to proceed. The consolidation of the MoDOT system should be based a clearly articulated plan for highway maintenance that balances the needs of the traveling public with the perceived financial benefit. Somewhat similarly, MoDOT should exercise comparable caution when it is

encouraged to expand the existing system by absorbing roads presently maintained by local entities.

By virtue of having considered the data regarding these suggestions, the Blue Ribbon Panel is making the following recommendations.

Recommendation #10: *It is recommended that the Commission periodically solicit the advice and expertise of outside consultants to help ensure that MoDOT's policies and practices reflect "best practices" in the industry.*

Recommendation #11: *It is recommended that the Commission pursue legislative and Constitutional changes as well as policy changes that would be enhance its overall efficiency, its credibility, or provide new funding options for transportation development, e.g.,*

- ❖ *permit the collection of tolls on new Missouri bridges and roads as well as substantially reconstructed interstate highways;*
- ❖ *use general revenue funds and/or tourism funds to support and enhance rest areas on interstate highways and other major roads;*
- ❖ *ensure a proper accounting of all MoDOT-owned properties, including the designation and disposal of any surplus property that may no longer be needed;*
- ❖ *without compromising Missouri's commitment to the environment, work with state and federal officials to reduce the delays and cost of the various impact statements presently required for transportation construction projects; and*
- ❖ *limit the liability exposure of agency employees in work-related civil suits.*

Recommendation #12: *It is recommended that the Commission proceed with caution as it explores possibilities for closing maintenance sheds, retiring rest stops, or returning certain lettered routes to local authorities to avoid creating another round of accusations that MoDOT is once again breaking its promises to the public. In addition, similar caution should be used in taking over any additional mileage from local entities. Any future actions of these types should be based on a clearly articulated plan for highway maintenance that balances the needs of the traveling public with the perceived financial benefits.*

Concluding Comments: Looking to the Future

The Blue Ribbon Panel has met many, many dedicated MoDOT employees who are proud of their association with the agency. In addition, real progress and many improvements have been made by the Commission and MoDOT in recent years. Yet, most observers recognize that some type of reform is necessary to recapture agency momentum and the public's support. The Panel hopes that this report will stimulate much conversation across the state both within MoDOT and among the citizens of Missouri regarding what kind of transportation system they want, what organizational changes are needed to facilitate the attainment of the new system, and what investments in time and resources they are willing to make to realize that vision.

The Panel believes that notwithstanding the progress already made that significant change is clearly necessary – both to address substantive shortcomings in the organization and as a means to assure the public and elected officials that their concerns have been addressed. Yet, the proposals outlined in this report are only the first step toward the goal of rebuilding Missouri's decaying transportation infrastructure. Unlike Rumpelstiltskin, the Commission and MoDOT cannot weave gold from straw. Missouri can secure its economic future only with a nationally competitive transportation system and that objective will require significant additional resources over a sustained period of time. The acquisition of these resources will not only require that MoDOT continues the process of reinventing itself but also that elected officials and key rural/urban interest groups must come together and compromise their differences. The resolution of Missouri's transportation crisis will require leadership of the highest order from everyone who has a role to play. The times demand it; the citizens of Missouri deserve nothing less.